

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 BIB-01 L-03 INRE-00 INR-07
SSO-00 NSCE-00 NSC-05 SP-02 SS-15 PRS-01 PA-01 /048 W
-----121935Z 020846 /46
O R 121818Z JAN 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 9797
INFO USIA WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 0325

USIA FOR IEU/MCLAUGHLIN

E.O. 11652: XGDS-4
TAGS: PINT PO US
SUBJECT: BIB/RFE NEGOTIATIONS -- DRAFT RESPONSE

REF: (A) LISBON 0078, (B) LISBON 0100, (C) LISBON 0203

SUMMARY: EMBASSY TRANSMITS HERewith RARET DRAFT RESPONSE TO FIGUEIREDO CONTRACT VERSION. IT PUTS KEY POINTS ON RECORD WITHOUT MOVING INTO NEGOTIATING STANCE. EMBASSY BELIEVES IT USEFUL TO HAVE THIS DOCUMENT READY EVEN THOUGH FIGUEIREDO COMMITTEE MAY BE ABOLISHED. END SUMMARY.

1. AMBASSADOR TOLD JANUARY 11 BY CUNHA REGO (SEE REFTEL C) THAT FIGUEIREDO COMMITTEE IS BEING ABOLISHED. CUNHA REGO PROMISED FURTHER DETAILS SHORTLY, BUT GOP CLEARLY HAD NOT DECIDED NEXT MOVES IN HANDLING RARET CONTRACT RENEGOTIATION.

2. RARET TEAM, WORKING WITH EMBOFFS, HAS PREPARED A DRAFT RESPONSE TO BE GIVEN FIGUEIREDO, IN EVENT THIS PROVES APPROPRIATE. CONCEPT WAS THAT BASIC RARET OBJECTIONS TO FIGUEIREDO APPROACH SHOULD BE ON RECORD AND INCLUDED IN ANY PACKAGE HE PROVIDED HIS SUPERIORS. IF THIS WERE NOT DONE, FIGUEIREDO OR SUCCESSORS COULD CONTEND
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RARET HAD FAILED TO INDICATE ANY DIFFICULTIES WITH POINTS FIGUEIREDO STUDY GROUP PUT ON THE TABLE. UNTIL RARET HEARS OTHERWISE, IT HAS A JANUARY 15 DEADLINE FOR SUBMISSION OF ITS RESPONSE.

3. HERewith INFORMAL EMBASSY TRANSLATION OF PROPOSED RARET RESPONSE:

"FOLLOWING YOUR LETTER OF DECEMBER 29TH, 1976, IN SPITE OF THE SHORT TIME AND THE UNFAVORABLE CIRCUMSTANCES, I HEREWITH TRANSMIT TO YOU, AS A RESULT OF THE ANALYSIS OF YOUR DRAFT, SOME BASIC CONCLUSIONS AND REQUEST THAT THEY BE MADE A PART OF THE FILE AND BE TAKEN INTO CONSIDERATION IN THE OPINION GIVEN BY THE COMMITTEE YOU HEAD TO THE GOVERNMENT.

"BEFORE GOING INTO THE DETAILED ANALYSIS OF THE PROFOUND DIFFERENCES BETWEEN THE DRAFT PRESENTED BY RARET AND THE ONE NOW PRESENTED BY THE COMMITTEE, IT IS OF INTEREST TO POINT OUT THE MAIN POINTS IN WHICH THE PROPOSALS DIFFER IN BASIC TERMS, SETTING OUT THE MOST IMPORTANT QUESTIONS DESERVING CAREFUL STUDY AND PRIOR AGREEMENT, AS AGREEMENT MUST BE REACHED ON THESE BEFORE WE PROCEED TO OTHER QUESTIONS.

(A) "THE PRICE OF THE CONCESSION:

"FOR THE LAST 10 YEARS (CONCESSION), RARET PAID 700,000 DOLLARS. AFTER VARIOUS SOUNDINGS IN PORTUGAL AND CHECKING WITH ITS PRINCIPALS, RARET RAISED THAT AMOUNT VERY CONSIDERABLY TO 52,500,000 ESCUDOS, ABOUT 1,750,000 DOLLARS.

"THE PROPOSAL OF THE COMMITTEE FOR FIFTEEN YEARS IS 13,400,000 DOLLARS OR 859,333 DOLLARS PER YEAR.

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"THIS MEANS THAT THE COMMITTEE EXPECTS RARET TO PAY EACH YEAR THE PRICE IT PAID FOR TEN YEARS IN THE PREVIOUS CONTRACT, PLUS AN ADDITIONAL 150,000 DOLLARS.

"IN VIEW OF THE INFLATION (WHICH AFFECTS EVERYONE, BUT UNEQUALLY) AND OTHER FACTORS, WE FELT THERE SHOULD BE AN UPDATING (IN AMOUNT PAID). BUT UP-DATING BY MULTIPLYING BY TWELVE SEEMS EXCESSIVE. THE PRICE PROPOSED IS EXCESSIVE, UNREALISTIC AND UNACCEPTABLE AND THE MORE SO BECAUSE IT DOES NOT FIT, IN ANY WAY, IN RARET'S BUDGET PLAN.

"ON THE OTHER HAND, TO THE CONCESSION PRICE THERE MUST BE ADDED THE COST OF OPERATION, INCLUDING SALARIES. AS THE WORKERS' CONTRACT HAS NOT YET BEEN NEGOTIATED AND IT IS TO BE EXPECTED THAT THIS WILL CAUSE A CONSIDERABLE INCREASE IN COSTS, IT IS POSSIBLE THAT UPON ADDING THIS TO THE PRICE OF THE CONCESSION THE TOTAL MAY PROVE ENTIRELY UNACCEPTABLE, LEADING RARET'S PATRONS TO LOSE

INTEREST.

"WITH SUCH A LARGE GAP BETWEEN THE TOTAL PROPOSED BY RARET AND THE TOTAL PROPOSED BY THE COMMITTEE, IT DOES NOT EVEN SEEM APPROPRIATE TO PRESENT AN ALTERNATIVE SUM.

(B) "THE DENIAL OF CUSTOMS DUTIES EXEMPTIONS:

"THE SECOND FUNDAMENTAL POINT IS THE REFUSAL OF THE CUSTOMS DUTIES EXEMPTION (OUR PROJECT ART. 2, CLAUSE 2), WHICH THE COMMITTEE REJECTED 'IN TOTUM'.

"IT CANNOT BE CONTENDED THAT THIS EXEMPTION IS EXCLUDED BECAUSE NATIONALIZED PORTUGUESE BROADCASTING STATIONS DO NOT BENEFIT FROM SUCH AN ADVANTAGE. RTP (PORTUGUESE STATE TELEVISION) HAS A SIMILAR ARRANGEMENT TO THAT WHICH WAS REQUESTED (DECREE-LAW 40,341, OF 18 OCT 1955).
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"BESIDES THAT, THE COST OF RARET IS ENTIRELY DIFFERENT, AS THE NATIONALIZED BROADCASTING STATIONS COST THE GOVERNMENT MONEY, WHILE RARET ONLY GIVES IT IA PROFIT.

"WHAT MAKES THE PROBLEM SO KEY FOR RARET IS THAT

RADIO FREE EUROPE/RADIO LIBERTY, BELONGS TO BIB, AN ORGANIZATION OF THE AMERICAN GOVERNMENT, WHOSE PROGRAMS IT REBROADCASTS AND WHICH PROVIDE ITS PRESENT REASON FOR BEING. RFE/RADIO LIBERTY CUSTOMARILY OBTAIN THAT TAX ADVANTAGE IN OTHER COUNTRIES. IT IS THUS EXTRAORDINARILY SHOCKING THAT ITS EQUIPMENT OR EQUIPMENT IT ACQUIRES, SHOULD NOT ENJOY IN PORTUGAL THE EXEMPTION REQUESTED. HENCE, THIS POINT IS FUNDAMENTAL FOR RARET.

(C) "NEW EQUIPMENT AND NEW TRANSMITTERS":

"THERE IS A FUNDAMENTAL DIFFERENCE BETWEEN THE TWO PROPOSALS WITH REGARD TO TECHNICAL DETAILS, UTILIZATION OF NEW EQUIPMENT AND NEW TRANSMITTERS.

"IN THE RARET DRAFT, ALTHOUGH FOLLOWING THE APPROACH OF THE CONTRACT PRESENTLY IN FORCE, A CERTAIN NUMBER OF TECHNICAL DETAILS ARE CONSIDERED TO BE THEREIN AUTHORIZED.

"IN THE DRAFT OF THE (FIGUEIREDO) COMMITTEE, NOT ONLY IS A NEW AUTHORIZATION REQUIRED FOR PROCEEDURES
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PREVIOUSLY GRANTED AND NOW IN PRACTICE, BUT ALSO ANY POWER INCREASES OR INSTALLATION OF NEW TRANSMITTERS WILL PRACTICALLY DEPEND ON NEW NEGOTIATIONS WHICH COULD IMPLY THAT INSURING THE PRESENT SERVICES (CONCESSION) WOULD IN EFFECT LEAD TO A NEW CONTRACT, (AND) TO ONE OR SEVERAL RENEGOTIATIONS LONG BEFORE FIFTEEN YEARS PASS.

"THUS, IT WOULD BE LOGICAL THAT ALL AUTHORIZATIONS REQUESTED SHOULD BE GRANTED AT THE OUTSET, AND THAT ONLY THOSE OF A TECHNICAL NATURE TO BE PERFORMED BY THE CTT, SUCH AS INSPECTIONS AND VERIFICATIONS, SHOULD BE SUBJECT TO THE NECESSARY AUTHORIZATIONS.

(D) "THE REVERSION PERIODS":

"IN RARET'S PROPOSAL, IT WAS FORESEEN THAT THE RIGHT OF REDEMPTION SHOULD BE EXERCISED WITH A THREE-YEAR ADVANCE NOTICE (ART. 16, 1 AND 2), THIS PERIOD BEING DRAMATICALLY REDUCED BY THE (FIGUEIREDO) COMMITTEE TO ONE YEAR (ART. 20) OR THREE MONTHS (ART. 16, SOLE CLAUSE),

"IN THIS CASE, BY A PROCEDURE OPPOSITE TO THAT USED IN CALCULATING THE PRICE, THE COMMITTEE SUBSTANTIALLY REDUCED THE PERIOD.

"IT WAS NOT BY CHANCE THAT A PERIOD OF THREE YEARS ADVANCE NOTICE WAS PROPOSED, WHICH IS NEITHER UNUSUAL OR EXCESSIVE IN LONG-TERM CONTRACTS.

"IT IS JUST THAT SUCH A LAPSE OF TIME IS THE MINIMUM CONSIDERED NECESSARY, IF THE CONTRACT IS RESCINDED, IN ORDER TO NEGOTIATE AND PUT UP IN ANOTHER COUNTRY INSTALLATIONS WHICH WILL PERFORM THE SERVICES RARET NOW PROVIDES.

"AS SHOWN ABOVE, THIS IS ALSO A VITAL POINT, THE ACCEPTANCE OF WHICH DOES NOT SEEM TO PRODUCE MAJOR

DIFFICULTIES FOR THE PORTUGUESE GOVERNMENT.

(E) "BUILDINGS AND LAND":

"REGARDING THIS POINT, THERE IS AN IMPORTANT DIFFERENCE BETWEEN THE TWO PROJECTS WHICH HAS TO BE OVERCOME.

"RARET, IN ITS PROPOSAL, CONSIDERS AS BELONGING TO IT THE LAND AND BUILDINGS IT ACQUIRED ENTIRELY AT ITS
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OWN EXPENSE, WITH ITS OWN MONEY, WITHOUT THE PORTUGUESE GOVERNMENT HAVING SPENT A CENT ON IT. THE (FIGUEIREDO) COMMITTEE FEELS THAT THIS IS ALL GOVERNMENT PROPERTY.

"WITH ALL DUE RESPECT, NOTHING JUSTIFIES THE GOVERNMENT CLAIMING THAT RARET SHOULD PAY A RENTAL FEE (OR FEE FOR TERMINATION OF OPERATIONS) FOR ALL THE EQUIPMENT, LAND AND BUILDINGS, WHICH RARET IMPORTED, INSTALLED, PURCHASED, AND THEN ALSO PAY THE GOVERNMENT (WHICH IT IS REPEATED, DID NOT SPEND A CENT) A RENT FOR USING THINGS WHICH BELONG TO RARET.

"THERE BEING NOTHING MORE, I AM YOURS SINCERELY,."

4. DCM OKUN WILL ARRIVE WASHINGTON JAN 13 FOR CONSULTATIONS AND EXPECTS TO TOUCH BASE WITH DEPARTMENT AND BIB RE RARET DRAFT RESPONSE AND FIGUEIREDO COMMITTEE VERSION.

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Message Attributes

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Copy: SINGLE
Sent Date: 12-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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